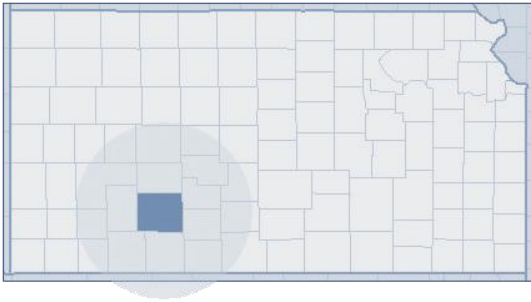


ECONOMIC IMPACT OF PROPOSED GAMING FACILITIES



**SOUTHWEST ZONE
(FORD COUNTY)**

BRIEF AGENDA

- Overview of Scope
- Economic Impact Approach
- Economic Impact of Construction
- Economic Impact of Operations
- Non-Gaming Competitive Impacts

Scope of Work

Scope of Work

- Same as Southeast and South Central
- Economic impact of construction and operations of proposed facilities
 - Inconsistent submissions required one model applied to all applicants
- Review of “cannibalization” and competition for non-gaming activities

Economic Impact Approach

Economic Impact Approach

- IMPLAN, an industry-standard tool built on input-output modeling
- Impacts calculated on a statewide basis
- Focus is on equitable treatment of applicants
 - Developed a single model for all applicants

Economic Impact Approach

- Used data supplied by applicants where possible
 - Inconsistent entries in templates required substantial adjustments
 - Any adjustments made for all applicants
- Bottom line impacts less important here than comparative impacts

NET Economic Impacts

- The most important thing to learn today:
 - Economic impact analysis must focus on activity that is new to the study area
 - Activity that simply moves from one location or firm to another is not new to the area
- Applied to Kansas gaming proposals using Cummings and Wells models

NET Economic Impacts

- *Export Revenue:*
 - This refers to the portion of gaming revenues derived from non-Kansas visitors that would not, absent the proposed casino, have occurred in Kansas.
- *Import Substitution Revenue:*
 - This refers to the portion of gaming revenues derived from Kansas residents that would, absent the proposed casino, have occurred outside of Kansas.

Economic Impact Reporting

- Economic impacts are comprised of three separate categories.
 - *Economic Output* is the total production or sales derived from the project.
 - *Employment* is the total number of Kansans employed both on a full and part time basis in a given industry.
 - *Wages* is the amount of salaries and benefits paid to Kansas employees.

Economic Impact Reporting







- For each of the categories listed above a direct effect, indirect effect, and induced effect has been calculated.
 - *Direct* effects capture the initial impact created.
 - *Indirect* effects are additional impacts derived from businesses providing products or services to the selected industries.
 - *Induced* effects are the result of increased household spending due to the direct and indirect effects.

Construction Impacts

Construction Impacts

- Temporary economic activity associated with designing and building facilities and associated infrastructure
- Cost inputs provided by applicants
- Assumed all activity in 2010
- Simply put, relative cost of proposed facilities drives relative outcomes

Construction Impact Summary

| CONSTRUCTION IMPACTS SUMMARY | | | | | |
|------------------------------|--|----------|---------|------------|---|
| SOUTHWEST GAMING ZONE | | | | | |
| | Direct | Indirect | Induced | Total | Relative Impacts |
| ECONOMIC OUTPUT | Total revenues associated with construction (\$ Millions, 2007 Dollars) | | | | |
| Butler National | \$ 49.5 | \$ 15.9 | \$ 21.6 | \$ 87.0 |  |
| Dodge City Resort | \$ 32.6 | \$ 10.5 | \$ 14.4 | \$ 57.5 |  |
| EMPLOYMENT | Total workers, including full-time and part-time | | | | |
| Butler National | 527 | 129 | 207 | 863 |  |
| Dodge City Resort | 340 | 87 | 138 | 565 |  |
| LABOR INCOME | Total wages paid to workers identified above (\$ Millions, 2007 Dollars) | | | | |
| Butler National | \$ 22.4 | \$ 5.4 | \$ 6.5 | \$ 34.3 |  |
| Dodge City Resort | \$ 14.9 | \$ 3.6 | \$ 4.3 | \$ 22.9 |  |

Source: Applicant Submissions, IMPLAN, Civic Economics

Operating Impacts

Operating Impacts

- Used 2012 for first full year of operations
 - Variations in projected growth in out years
- Steps to determine inputs:
 - Gaming revenue adjustment
 - Calculation of net impacts from Cummings and Wells analyses
 - Operational scale
 - Final input modifications for labor costs

Operational Scale

- Applicants projected both non-gaming and gaming revenues
 - Gaming revenue applied here is average of Cummings and Wells mid-case
- Non-gaming revenues were adjusted downward in proportion to NET revenues
 - Hotel revenue separately forecast based on Probe analysis

Gaming Revenue Projections

| REVENUE FORECASTS, 2012 SOUTHWEST GAMING ZONE (IN 2007 Dollars) | | |
|--|----------------------|----------------------|
| GAMING REVENUE PROJECTIONS | | |
| | Butler National | Dodge City Resort |
| Estimated gaming revenue: Applicant | \$ 67,666,000 | \$ 46,118,000 |
| Estimated gaming revenue: Wells | \$ 58,634,000 | \$ 57,056,000 |
| Estimated gaming revenue: Cummings | \$ 40,700,000 | \$ 40,100,000 |
| Average of Wells & Cummings | \$ 49,667,000 | \$ 48,578,000 |
| Ratio of Average to Applicant | 0.734 | 1.053 |

Source: Applicant Submissions, Wells Gaming and Cummings Associates

Net Gaming Revenue Adjustment

- Cummings and Wells analysis allows an estimate of gaming revenue flows among states
- This analysis uses the sum of:
 - Import Substitution
 - Export

NET Revenue Projections

| NET REVENUE FOR ECONOMIC IMPACT ANALYSIS SOUTHWEST ZONE | | | |
|--|-----------------|-------------------|------------|
| Wells Model | | | |
| | Butler National | Dodge City Resort | |
| Estimated Gaming Revenue | \$ 58,634,000 | \$ | 57,056,000 |
| Estimated Gaming Export | \$ 6,110,505 | \$ | 5,678,852 |
| Estimated Gaming Import Substitution | \$ 7,718,261 | \$ | 7,083,565 |
| Net Revenue | \$ 13,828,766 | \$ | 12,762,417 |
| Cummings Model | | | |
| | Butler National | Dodge City Resort | |
| Estimated Gaming Revenue | \$ 40,700,000 | \$ | 40,100,000 |
| Estimated Gaming Export | \$ 3,400,000 | \$ | 3,300,000 |
| Estimated Gaming Import Substitution | \$ 4,200,000 | \$ | 4,000,000 |
| Net Revenue | \$ 7,600,000 | \$ | 7,300,000 |
| Average of Wells and Cummings | | | |
| | Butler National | Dodge City Resort | |
| Average Net Revenue | \$ 10,714,383 | \$ | 10,031,209 |
| Net as a % of Gaming Revenue | 21.6% | | 20.6% |

SOURCE: Wells, Cummings, Civic Economics

Non-Gaming Revenue Adjustment

| REVENUE FORECASTS, 2012 | | |
|---|-----------------|----------------------|
| SOUTHWEST GAMING ZONE (IN 2007 Dollars) | | |
| ADJUSTED NON-GAMING REVENUE PROJECTIONS | | |
| | Butler National | Dodge City Resort |
| Hotel Revenue | \$ 3,940,517 | \$ 3,972,295 |
| Food & Beverage Revenue | \$ 1,119,582 | \$ 1,865,847 |
| Retail Revenue | \$ 66,203 | \$ 265,679 |
| Other Revenue | \$ 125,787 | \$ - |

SOURCE: Applicant Submissions, Wells Gaming and Cummings & Assoc., Probe Strategic Solutions, Civic Economics

Adjustment for Labor Cost







- Sought to use applicant submissions for labor intensity of operations
 - IMPLAN models lower than likely new reality
- Chose to use average of zone applicants

| PRODUCTIVITY AND WAGE HARMONIZATION SOUTHWEST ZONE | | |
|---|---------------------|-------------------------------------|
| Category | Harmonized Value | Notes |
| Revenue per employee | \$ 204,649 | Using an average of both applicants |
| Wages per employee | \$ 32,152 | |

Source: Applicant Submissions

Finally, on to the numbers ...

Operating Impact Summary

| OPERATING IMPACTS SUMMARY, 2012 SOUTHWEST GAMING ZONE | | | | | |
|--|--|----------|---------|----------|---|
| | Direct | Indirect | Induced | Total | Relative Impacts |
| ECONOMIC OUTPUT | Total revenues associated with operation (\$ Millions, 2007 Dollars) | | | | |
| Butler National | \$ 11.8 | \$ 5.9 | \$ 3.3 | \$ 21.14 |  |
| Dodge City Resort | \$ 12.0 | \$ 5.9 | \$ 3.4 | \$ 21.32 |  |
| EMPLOYMENT | Total employment associated with operation | | | | |
| Butler National | 101 | 52 | 32 | 185 |  |
| Dodge City Resort | 114 | 51 | 33 | 197 |  |
| LABOR INCOME | Total wages paid to employees above (\$ Millions, 2007 Dollars) | | | | |
| Butler National | \$ 2.5 | \$ 1.8 | \$ 1.0 | \$ 5.33 |  |
| Dodge City Resort | \$ 2.7 | \$ 1.8 | \$ 1.0 | \$ 5.47 |  |

Source: Applicant Submissions, IMPLAN, Civic Economics

Non-Gaming Competitive Impacts

Competitive Impacts

- Civic Economics was asked to evaluate likely competitive pressures on existing businesses due to arrival of new non-gaming amenities
- Issues in Ford County:
 - Redirected local spending
 - Lodging competition
 - Food & Beverage competition

Redirected Local Spending

| REDIRECTED SPENDING BY KANSANS | | |
|---------------------------------|---------------|---|
| SOUTHWEST REGION (2007 Dollars) | | |
| | | Equivalent to approximately 8% of Ford County retail sales |
| Butler National | \$ 38,952,617 | |
| Dodge City Resort | \$ 38,546,792 | |
| | | |
| | | |

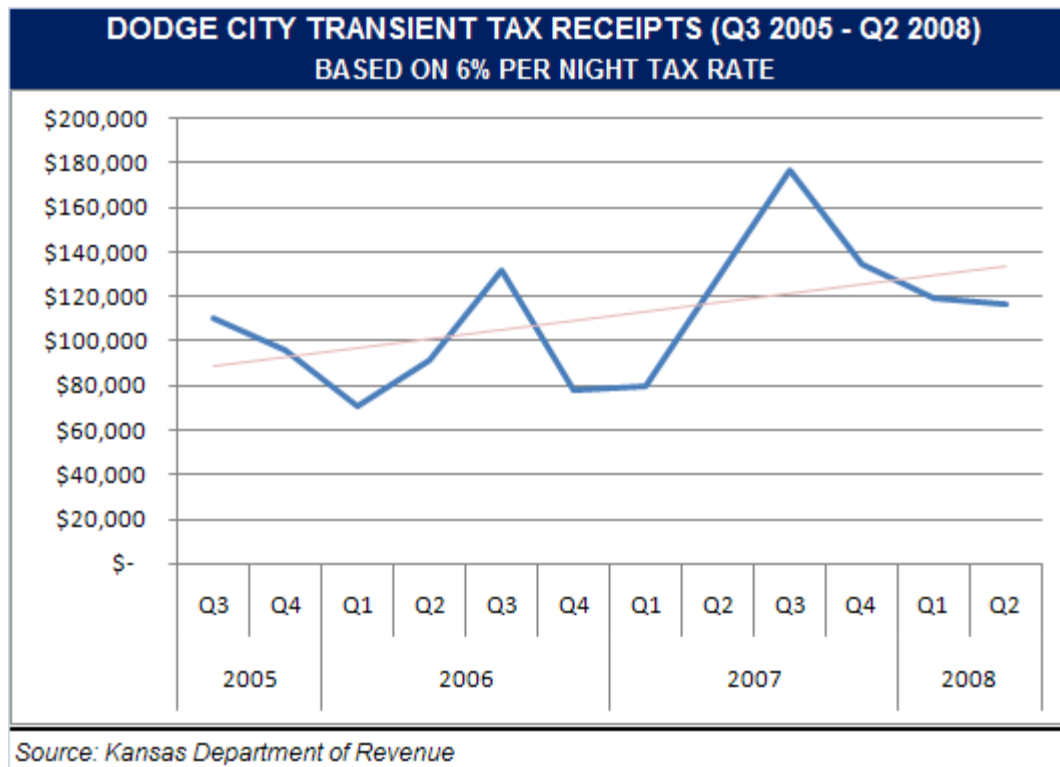
Source: Wells, Cummings, Claritas, Civic Economics

Dodge City Lodging

| DODGE CITY LODGING | | | | |
|-----------------------------------|-----------|--|---------|-------------|
| Existing Lodging | Number of | Rating (Stars, Diamonds, etc.) | | |
| | Rooms | AAA | Expedia | Travelocity |
| Best Western Country Inn & Suites | 66 | 3 | | 3 |
| Holiday Inn Express | 63 | 3 | | 2 |
| La Quinta | 77 | 3 | 2.5 | 3 |
| Comfort Inn | 54 | 2 | 3 | 2 |
| Dodge House | 108 | | 3 | 2 |
| | 368 | 3 or better from any service | | |
| Super 8 | 64 | 2 | | 1 |
| Travelodge | 79 | | 1.5 | 1 |
| Budget Host | 32 | | | |
| | 175 | Less than 3 | | |
| Proposed Casino Lodging | | | | |
| Butler National | 124 | Either hotel represents a 34% increase in 3-star rated rooms | | |
| Dodge City Resort | 125 | | | |

Source: Applicant submissions, AAA, Expedia, Travelocity

Lodging Trends



Food and Beverage

| PROPOSED FOOD & BEVERAGE OFFERINGS | | |
|------------------------------------|------------------|------------------------|
| Butler National | | |
| Outlet | Seating Capacity | Segment |
| Fine Dining / Steakhouse | 66 | Full Service Dining |
| 24 Hour Café/ Buffet | 150 | Limited Service Dining |
| Snack Bar | 25 | Limited Service Dining |
| Feature Bar | 50 | Drinking Places |
| 225 | | |
| Dodge City Resort | | |
| Outlet | Seating Capacity | Segment |
| Steak House | 178 | Full Service Dining |
| Casual Dining Room | 134 | Limited Service Dining |
| Deli | 17 | Limited Service Dining |
| Cabaret Lounge | 70 | Drinking Places |
| 399 | | |

Source: Applicant submissions, Probe Strategic Solutions

Food and Beverage

| FORD COUNTY FOOD AND BEVERAGE MARKET | | | | |
|---|--------|------------|---------------|------------------|
| | Demand | | Supply | Available Market |
| Foodservice and Drinking Places-722 | \$ | 40,859,662 | \$ 26,473,997 | \$ 14,385,665 |
| Full-Service Restaurants-7221 | \$ | 18,490,632 | \$ 10,066,000 | \$ 8,424,632 |
| Limited-Service Eating Places-7222 | \$ | 17,345,564 | \$ 12,272,998 | \$ 5,072,566 |
| Drinking Places -Alcoholic Beverages-7224 | \$ | 1,681,806 | \$ 1,373,998 | \$ 307,808 |

Source: Claritas

Thank you.

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